

HOUSE BILL NO. 430

INTRODUCED BY H. RASER

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE STATE WILL ASSUME RESPONSIBILITY FOR PAYING THE UNIVERSITY SYSTEM'S SUPPLEMENTAL CONTRIBUTION TO THE TEACHERS' RETIREMENT SYSTEM FOR ACTUARIAL LIABILITIES INCURRED WHEN THE OPTIONAL RETIREMENT PROGRAM WAS CREATED; PROVIDING THAT THE STATE'S ASSUMPTION OF RESPONSIBILITY WILL BE PHASED IN; PROVIDING A STATUTORY APPROPRIATION; PROVIDING THAT THE SUPPLEMENTAL CONTRIBUTION WILL END ON JULY 1, 2033; INCREASING THE EMPLOYER CONTRIBUTIONS TO THE OPTIONAL RETIREMENT PROGRAM PARTICIPANT ACCOUNTS; AMENDING SECTIONS 17-7-502, 19-2-405, 19-20-621, AND 19-21-203, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-15-151; 2-17-105; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-1-113; 15-1-121; 15-23-706; 15-35-108; 15-36-332; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-11-404; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-304; 18-11-112; 19-3-319; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-621; 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-5-306; 23-5-409; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 42-2-105; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-6-703; 53-24-108; 53-24-206; 61-3-415; 69-3-870; 75-1-1101; 75-5-1108; 75-6-214;

75-11-313; 77-2-362; 80-2-222; 80-4-416; 80-5-510; 80-11-518; 82-11-161; 87-1-513; 90-3-1003; 90-6-710; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to Ch. 422, L. 1997, the inclusion of 15-1-111 terminates on July 1, 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014; pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 2 and 5, Ch. 481, L. 2003, the inclusion of 90-6-710 terminates June 30, 2005; pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 3 and 6, Ch. 481, L. 2003, the inclusion of 15-35-108 terminates June 30, 2010; and pursuant to sec. 135, Ch. 114, L. 2003, the inclusion of 2-15-151 terminates June 30, 2005.)"

Section 2. Section 19-2-405, MCA, is amended to read:

"19-2-405. Employment of actuary -- biennial investigation and valuation. (1) The board shall retain a competent actuary who is an enrolled member of the American academy of actuaries and who is familiar with public systems of pensions. The actuary is the technical advisor of the board on matters regarding the operation of the retirement systems.

(2) The board shall require the actuary to make a biennial actuarial investigation into the suitability of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and liabilities of each defined benefit plan that is a part of the retirement systems.

(3) The normal cost contribution rate, which is funded by required employee contributions and a portion of the required employer contributions to each defined benefit retirement plan, must be calculated as the level percentage of members' salaries that will actuarially fund benefits payable under a retirement plan as those benefits accrue in the future.

(4) (a) The unfunded liability contribution rate, which is entirely funded by a portion of the required employer contributions to the retirement plan, must be calculated as the level percentage of current and future

defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the retirement plan over a reasonable period of time, not to exceed 30 years, as determined by the board.

(b) In determining the amortization period under subsection (4)(a) for the public employees' retirement system's defined benefit plan, the actuary shall take into account the plan choice rate contributions to be made to the defined benefit plan pursuant to 19-3-2117 and ~~19-21-203~~ 19-21-214.

(5) The board shall require the actuary to conduct a periodic actuarial investigation into the actuarial experience of the retirement systems and plans.

(6) The board may require the actuary to conduct any valuation necessary to administer the retirement systems and the plans subject to this chapter."

Section 3. Section 19-20-621, MCA, is amended to read:

"19-20-621. Montana university system optional retirement program supplemental contributions

~~-- statutory appropriation.~~ (1) ~~Each employer within the university system with employees~~ To amortize, by July 1, 2033, the past service liability of the retirement system for university system members participating in the optional retirement program, for each employee participating in the optional retirement program provided for under Title 19, chapter 21;

(a) the state shall contribute monthly from the general fund to the teachers' retirement system a the state's share of the supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for the university system members provided in subsection (2); and

(b) the university system shall contribute monthly to the retirement system the university system's share of the supplemental employer contributions provided in subsection (2).

(2) (a) ~~The optional retirement program~~ state's supplemental employer contribution as a percentage of the total compensation of all employees participating in the optional retirement program ~~must increase to be as follows:~~

~~(a) 2.81% beginning July 1, 1997;~~

~~———— (b) 3.12% beginning July 1, 1998;~~

~~———— (c) 3.42% beginning July 1, 1999;~~

~~———— (d) 3.73% beginning July 1, 2000; and~~

~~———— (e) 4.04% beginning July 1, 2001~~

(i) 0.67% beginning July 1, 2005;

1 (ii) 1.35% beginning July 1, 2006;

2 (iii) 2.69% beginning July 1, 2007;

3 (iv) 4.04% beginning July 1, 2008; and

4 (v) 0% beginning July 1, 2033.

5 (b) The university system's supplemental employer contribution as a percentage of the total
6 compensation of all employees participating in the optional retirement program must be as follows:

7 (i) 3.37% beginning July 1, 2005;

8 (ii) 2.69% beginning July 1, 2006;

9 (iii) 1.35% beginning July 1, 2007; and

10 (iv) 0% beginning July 1, 2008.

11 (3) Each employer within the university system with employees participating in the program shall, by
12 the 15th of each month, report to the retirement system the total earned compensation paid during the preceding
13 month to participating employees.

14 ~~(3)(4) The board shall periodically review the supplemental employer contribution rate and recommend~~
15 ~~adjustments to the legislature as needed to maintain the amortization of the university system's past service~~
16 ~~liability by July 1, 2033~~ certify to the state treasurer on a monthly basis the dollar amount due under subsection
17 (2)(a). The state treasurer shall, within 1 week of the certification, transfer from the general fund to the retirement
18 system's pension trust fund the certified amount, which is statutorily appropriated, as provided in 17-7-502, to
19 the pension fund."

20
21 **Section 4.** Section 19-21-203, MCA, is amended to read:

22 **"19-21-203. Contributions -- supplemental and plan choice rate contributions Employee and**
23 **employer contributions.** The following provisions apply to program participants not otherwise covered under
24 19-21-214:

25 (1) Each program participant shall contribute an amount equal to the member's contribution required
26 under 19-20-602.

27 ~~(2) The board of regents shall contribute an amount that, when added to the participant's contribution,~~
28 ~~is equal to 12% of the participant's earned compensation.~~

29 ~~———— (2) (a) The board of regents may:~~

30 ~~———— (i) reduce the participant's contribution rate established in subsection (1) to an amount not less than 6%~~

1 ~~of the participant's earned compensation; and~~

2 ~~—— (ii) increase the employer's contribution rate to an amount not greater than 6% of the participant's earned~~
3 ~~compensation.~~

4 ~~—— (b) The sum of the participant's and employer's contributions made under subsection (2)(a) must remain~~
5 ~~at 12% of the participant's earned compensation the following percentage of the participant's earned~~
6 ~~compensation:~~

7 (a) 5.57% beginning July 1, 2005;

8 (b) 6.30% beginning July 1, 2006; and

9 (c) 7.47% beginning July 1, 2007.

10 (3) The board of regents shall determine whether the participant's contribution is to be made by salary
11 reduction under section 403(b) of the Internal Revenue Code, 26 U.S.C. 403(b), as amended, or by employer
12 pickup under section 414(h)(2) of that code, 26 U.S.C. 414(h)(2), as amended.

13 (4) The disbursing officer of the employer or other official designated by the board of regents shall pay
14 both the participant's contribution and the appropriate portion of the board of regents' contribution to the
15 designated company or companies for the benefit of the participant.

16 ~~(5) The board of regents shall make the supplemental contributions to the teachers' retirement system;~~
17 ~~as provided in 19-20-621, to discharge the obligation incurred by the Montana university system for the past~~
18 ~~service liability incurred by active, inactive, and retired members of the teachers' retirement system."~~

19
20 NEW SECTION. Section 5. Effective date. [This act] is effective July 1, 2005.

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